

Message Text

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PAGE 01 PARIS 21692 101609Z
ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 EB-08 XMB-02 AID-05 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 ICA-11 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-01 EA-10 NEA-10 /115 W
-----074054 111434Z /40

R 101552Z JUL 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 4532
INFO AMEMBASSY BRUSSELS

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DEPT PASS TREASURY ELECTRONICALLY AND EXIM BANK

USEEC ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: ETRD, EFIN, FR
SUBJ: MIXED CREDITS

REF: STATE 167832

1. EMBASSY ECONOMIC MINISTER DELIVERED AIDE MEMOIRE
JULY 7 TO DE MOREL, DIRECTOR EXTERNAL ECONOMIC RELATIONS,
FOREIGN TRADE MINISTRY, COVERING ALL POINTS CONTAINED IN
REFTEL. AFTER A CAREFUL READING OF THE AIDE MEMOIRE
DE MOREL SAID HE WAS SURPRISED THAT THE U.S. IS UPSET AT
THE RECENT FRENCH MIXED CREDIT OFFER TO MEXICO -- THOUGH
HE UNDERSTOOD HOW THE U.S. MIGHT HAVE SPECIAL SENSI-
TIVITIES GIVEN THE FACT THAT MEXICO IS "IN THE U.S.
BACKYARD." HE THEN PROCEEDED TO JUSTIFY THIS PARTICULAR
LOAN PACKAGE AS A PERFECTLY NORMAL PART OF FRANCE'S
ECONOMIC ASSISTANCE EFFORTS VIS-A-VIS THE LDCS.

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2. TO OUR STRONG ARGUMENT THAT MEXICO WAS NOT POOR
ENOUGH TO WARRANT SUCH HEAVILY CONCESSIONAL LENDING,
DE MOREL COUNTERED THAT MEXICO WAS CONSIDERED AN LDC
UNDER THE DEFINITIONS OF THE EXPORT CREDIT CONSENSUS.
WE RECALLED THAT DE MOREL'S STAFF (THOUROT AND TELLIER)
HAD ASSURED US DURING THE CONSENSUS NEGOTIATIONS THAT
MIXED CREDITS WERE NOT A PROBLEM BECAUSE THEY WERE

LARGELY LIMITED TO THE FRENCH EX-COLONIES AND A FEW OTHER SPECIAL CASES -- LARGELY IN AFRICA. DE MOREL SAID THAT THERE MUST HAVE BEEN A MISTAKE OR A MISUNDERSTANDING BECAUSE THE MIXED CREDIT FORMULA WAS ESPECIALLY DEVELOPED FOR NON-COLONIAL AREAS AND AMONG THE EX-COLONIES AND WAS USED ONLY IN MOROCCO AND TUNISIA. HE ADDED THAT THEY HAD LONG BEEN USED IN A WIDE VARIETY OF COUNTRIES INCLUDING INDONESIA, BRAZIL AND MEXICO, IN ADDITION TO THE INDIAN SUBCONTINENT AND A FEW OTHER ESPECIALLY POOR AREAS.

3. DE MOREL ATTEMPTED TO MINIMIZE THE COMMERCIAL COMPETITIVE IMPACT OF MIXED CREDITS AND ALLEGED THAT GRANT AID WAS BY FAR MORE EFFECTIVE IN ASSURING EXPORTS FROM THE DONOR COUNTRY -- EVEN WHEN THESE GRANTS ARE UNTIED. IN THE FACE OF COUNTERARGUMENTS BY MINECON AND THE ACCOMPANYING EMBASSY OFFICER, DE MOREL DID ADMIT THAT THE MIXED CREDIT FORMULA COULD HAVE SOME COMPETITIVE IMPACT. HE STUCK TO HIS GUNS, HOWEVER, SAYING THAT THE SPECIFIC LOAN TO MEXICO THAT WE WERE QUESTIONING WAS IN NO WAY INAPPROPRIATE OR INCONSISTENT WITH OUR DISCUSSIONS LEADING TO THE EXPORT CREDIT CONSENSUS. ALTHOUGH DE MOREL NOTED THE U.S. DESIRE TO REOPEN THE MIXED CREDIT EFFORT IN THE NEXT CONSENSUS IN REVIEW, HE MADE IT VERY CLEAR THAT FRANCE HAS EVERY INTENTION OF CONTINUING ITS PRESENT POLICY IN THIS AREA. LIMITED OFFICIAL USE

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HARTMAN

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NNN

Message Attributes

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